Country Studies

This website contains the on-line versions of books previously published in hard copy by the Federal Research Division of the Library of Congress as part of the Country Studies/Area Handbook Series sponsored by the U.S. Department of the Army between 1986 and 1998. Each study offers a comprehensive description and analysis of the country or region's historical setting, geography, society, economy, political system, and foreign policy.

Guyana
Haiti
Honduras
Hungary
India
Indonesia
Iran
Iraq
Israel
Ivory Coast
Jamaica
Japan
Jordan
Kazakstan

Syria
Tajikistan
Thailand
Trinidad and Tobago
Turkey
Turkmenistan
Turks and Caicos Islands
Uganda
United Arab Emirates
United States
Uruguay
Uzbekistan
Venezuela
Vietnam

Country Studies

Finance

The traditional banking system was inherited from the AngloEgyptian co 1955). When the National Bank of Egypt opened in Khartoum in 1901, it ob position as banker to and for the government, a "semi-official" central b followed, but the National Bank of Egypt and Barclays Bank dominated and in Sudan until after World War II. Post-World War II prosperity created increasing number of commercial banks. By 1965 loans to the private se reached £Sd55.3 million.

Before Sudanese independence, there had been no restrictions on the m between Egypt and Sudan, and the value of the currency used in Sudan v Egypt. This situation was unsatisfactory to an independent Sudan, which esta Currency Board to replace Egyptian and British money. It was not a central b not accept deposits, lend money, or provide commercial banks with cash an the Bank of Sudan was established to succeed the Sudan Currency Board ar Sudanese assets of the National Bank of Egypt. In February 1960, the Bar acting as the central bank of Sudan, issuing currency, assisting the deve providing loans, maintaining financial equilibrium, and advising the governme

There were originally five major commercial banks (Bank of Khartoum, An l Commercial Bank, the People's Cooperative Bank, and the Unity Bank) subsequently grew. The public was dissatisfied with the commercial banks, they were reluctant to lend capital for longterm development projects. government decreed the 1970 Nationalization of Banks Act, all domestic controlled by the Bank of Sudan.

In 1974, to encourage foreign capital investment, foreign banks were urge ventures in association with Sudanese capital. Banking transactions with operating in Sudan were facilitated so long as they abided by the rulings of and transferred a minimum of £Sd3 million into Sudan. Known as the "ope system was partly a result of Nimeiri's disillusion with the left after the unsuc

coup of 1971. Several foreign banks took advantage of the opportunity, mos the Faisal Islamic Bank, Chase Manhattan Bank, and the Arab Authori Investment and Development.

In addition, the government established numerous specialized banks, such Bank of Sudan (1959) to promote agricultural ventures, the Industrial Bank (promote private industry, the Sudanese Estates Bank (1966) to provide hou: Sudanese Savings Bank established to make small loans particularly in th system worked effectively until the late 1970s and 1980s, when the declin balance-of-payments problems, spiraling external debt, the increase in c(appearance of Islamic banking disrupted the financial system.

Islamic Banking

The Faisal Islamic Bank, whose principal patron was the Saudi prince, Muhai Saud, was officially established in Sudan in 1977 by the Faisal Islamic Ba door" policy enabled Saudi Arabia, which had a huge surplus after the 19 Petroleum Exporting Countries (OPEC) increases in the price of petroleum, 1 Members of the Muslim Brotherhood and its political arm, the National Islar prominent role on the board of directors of the Faisal Islamic Bank, thus bank's position in Sudan. Other Islamic banks followed. As a consequence, I Khatmiyyah religious groups and their political parties, the Umma and the D Party, formed their own Islamic banks.

The Faisal Islamic Bank enjoyed privileges denied other commercial banks (on assets, profits, wages, and pensions), as well as guarantees agair nationalization. Moreover, these privileges came under Nimeiri's protection as he became committed to applying Islamic doctrine to all aspects of ! theory of Islamic banking is derived from the Quran and the Prophet Muham against exploitation and the unjust acquisition of wealth, defined as *riba*, or, interest or usury. Profit and trade are encouraged and provide the four banking. The prohibitions against interest are founded on the Islamic conce results from an individual's creative labor or from exchange of goods or pr(money loaned falls within neither of these two concepts and is thus unjustifie

To resolve this dilemma from a legal and religious point of view, Islamic common terms: *musharakah* or partnership for production; *mudharabah* or when one party provides the capital, the other the labor; and *murabl* payment on purchases, similar in practice to an overdraft and the most banking arrangement in Sudan. To resolve the prohibition on interest, a overdraft would be changed to a *murabbahah* contract. The fundamental (Islamic and traditional banking systems is that in an Islamic system deposi shares, which does not guarantee their nominal value. The appeal of the Isla as government support and patronage, enabled these institutions to acquir percent of Sudanese deposits. Politically, the popularity and wealth of Is provided a financial basis for funding and promoting Islamic policies in gover